



JOHN NAIMO
ACTING AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 4, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo
Acting Auditor-Controller

A handwritten signature in black ink, appearing to read "John Naimo", is written over the printed name and title.

SUBJECT: **ALTAMED HEALTH SERVICES CORPORATION – A DEPARTMENT
OF PUBLIC SOCIAL SERVICES CAL-LEARN PROGRAM PROVIDER –
CONTRACT COMPLIANCE REVIEW**

We completed a program and fiscal review of AltaMed Health Services Corporation (AltaMed or Agency), which covered a sample of transactions from Fiscal Year (FY) 2012-13. The Department of Public Social Services (DPSS) contracts with AltaMed, a non-profit organization, to operate the Cal-Learn Program, which assists CalWORKs participants that are teenage parents in completing their high school education. The contract services include recruiting and enrolling eligible participants, conducting Program orientations, handling case management, identifying and providing supportive services (i.e., child care, transportation, etc.), and assisting participants with enrolling and completing their high school education.

The purpose of our review was to determine whether AltaMed appropriately accounted for and spent Cal-Learn Program funds to provide the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid AltaMed approximately \$1.7 million on a fixed-fee basis for FY 2012-13. The contract requires the Agency to return or reinvest any unspent revenue. AltaMed provides services to residents of the First and Second Supervisorial Districts.

Results of Review

AltaMed provided services to eligible participants, recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. However, the

Agency did not always comply with all of the County contract requirements. Specifically, AltaMed:

- Inappropriately charged DPSS \$88,621 in rent and taxes that were incurred from January 2003 through June 2012.

AltaMed's attached response indicates that they will work with DPSS to return or reinvest the \$88,621.

- Overcharged DPSS \$2,731 for a client event and utilities that did not benefit the Cal-Learn Program.

AltaMed's attached response indicates that they will refine their expense allocation policy to ensure proper allocation of expenses, and will work with DPSS to return or reinvest the \$2,731.

- Did not provide documentation to support \$10,038 for accrued expenditures and office supplies.

AltaMed's attached response indicates that they excluded the accrued expenditures from their expense report submitted to DPSS and will work with DPSS to return or reinvest the \$10,038.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with AltaMed and DPSS in February 2014. AltaMed's attached response indicates agreement with our findings and recommendations. DPSS will work with AltaMed to ensure that our recommendations are implemented.

We thank AltaMed management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:pn

Attachment

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, DPSS
Frank Meza, Board Chair, AltaMed
Cástulo de la Rocha, President and Chief Executive Officer, AltaMed
Public Information Office
Audit Committee

**ALTAMED HEALTH SERVICES CORPORATION
CAL-LEARN PROGRAM
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2012-13**

ELIGIBILITY

Objective

Determine whether AltaMed Health Services Corporation (AltaMed or Agency) provided services to individuals who met the Cal-Learn Program eligibility requirements.

Verification

We reviewed the case files for 25 (4%) of the 613 participants who received services during June 2013 for documentation to confirm their eligibility for Cal-Learn Program services.

Results

AltaMed had documentation to support all 25 participants' eligibility for Cal-Learn Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether AltaMed provided the services required by their County contract and Cal-Learn Program guidelines, and whether the Program participants received the billed services.

Verification

We visited one (50%) of the two AltaMed service sites and reviewed the case files for 25 (4%) of the 613 participants who received services during June 2013.

Results

AltaMed provided services in accordance with their County contract.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether AltaMed's staff had the qualifications required by their County contract.

Verification

We reviewed the personnel files for five (16%) of the 31 AltaMed employees who worked on the Cal-Learn Program.

Results

AltaMed's staff had the qualifications required by their County contract.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether AltaMed properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed AltaMed's management, and reviewed their financial records and June 2013 bank reconciliations.

Results

AltaMed properly recorded revenue in their financial records, deposited Department of Public Social Services (DPSS) payments into their bank account timely, and Agency management reviewed and approved monthly bank reconciliations.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether expenditures charged to the Cal-Learn Program were allowable under their County contract, properly documented, and accurately billed.

Verification

We interviewed AltaMed's personnel, and reviewed financial records for 20 non-payroll expenditures, totaling \$158,937, that the Agency charged to the Cal-Learn Program during Fiscal Year (FY) 2012-13.

Results

AltaMed inappropriately charged DPSS \$101,390 (64%) of the \$158,937 in non-payroll expenditures reviewed to the Cal-Learn Program. Specifically, the Agency:

- Inappropriately charged the Cal-Learn Program \$88,621 for rent and property taxes that were incurred from January 2003 through June 2012. The County contract does not allow AltaMed to charge DPSS for prior period expenditures.
- Inappropriately allocated \$2,063 to the Cal-Learn Program for a graduation party based on estimates, instead of using actual costs as required.
- Charged the Cal-Learn Program \$668 for utilities for a site that did not provide Cal-Learn Program services.
- Did not have documentation to support \$9,000 billed to the Cal-Learn Program for accrued expenditures.
- Did not have a cancelled check to support \$1,038 billed to the Cal-Learn Program for office supplies.

Recommendations**AltaMed Health Services Corporation management:**

1. Repay the Department of Public Social Services \$91,352 (\$88,621 + \$2,063 + \$668).
2. Repay the Department of Public Social Services \$10,038 (\$9,000 + \$1,038), or provide the Department of Public Social Services with supporting documentation for the expenditures.

3. Ensure that all non-payroll expenditures billed to the Cal-Learn Program are allowable, properly documented, and in compliance with the County contract.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether AltaMed's fixed assets and equipment purchased with Cal-Learn funds were used for the Program, and were adequately safeguarded.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of ten items purchased with Cal-Learn funds to verify the items exist and were being used as required.

Results

AltaMed did not maintain a complete and accurate fixed assets and equipment inventory list. Specifically, four computers that were purchased with Cal-Learn funds were not included on the Agency's Cal-Learn listing of fixed assets and equipment.

Recommendation

4. AltaMed Health Services Corporation management maintain a complete and accurate listing of fixed assets and equipment purchased with Cal-Learn funds.

PAYROLL AND PERSONNEL

Objective

Determine whether AltaMed charged payroll costs to the Cal-Learn Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for five employees, totaling \$8,818, for June 2013 to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for five AltaMed Cal-Learn Program staff.

Results

AltaMed appropriately charged payroll costs to the Cal-Learn Program, and maintained personnel files as required.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether AltaMed prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed AltaMed's Plan, and a sample of expenditures from FY 2012-13.

Results

AltaMed prepared their Plan in compliance with their County contract. However, as noted earlier, the Agency inappropriately allocated \$2,063 for a graduation party based on estimates, rather than actual costs.

Recommendation

Refer to Recommendation 3.

CLOSE-OUT REVIEW**Objective**

Determine whether AltaMed had any unspent revenue for the Cal-Learn Program for FY 2012-13.

Verification

We traced the total revenues and expenditures from AltaMed's FY 2012-13 close-out report to the Agency's accounting records, and to DPSS' payment records.

Results

AltaMed's close-out report indicated that they had \$9,584 in unspent revenue for FY 2012-13 and the Agency submitted a disposition plan to DPSS. However, AltaMed

needs to revise their accounting records based on our recommendations above, provide DPSS with a revised close-out report for FY 2012-13, and work with DPSS to return or reinvest any unspent revenue.

Recommendation

- 5. AltaMed Health Services Corporation management revise their accounting records based on the recommendations above, provide the Department of Public Social Services with a revised close-out report for Fiscal Year 2012-13, and work with the Department of Public Social Services to return or reinvest any unspent revenue.**



February 26, 2014

County of Los Angeles
Department of Auditor- Controller
Wendy L Watanabe
500 West Temple Street, Room 525
Los Angeles, California 90012-3873



Re: Response to the Auditor Controller's Audit Findings for the Period Under Review of 07/01/12-06/30/13

Dear Ms. Watanabe,

This letter is in response to the Auditor-Controller's compliance review findings:

- 1) Inappropriately billed DPSS \$88,621 in rent and taxes that were incurred from January 2003 through June 2012
- 2) Overbilled DPSS \$2,731 for a client event and utilities that did not benefit the CalLearn Program
- 3) Did not provide documentation to support \$10,038 for accrued expenditures and office supplies

Response:

The CalLearn program was suspended by the County of Los Angeles (County)/DPSS for the period of 07/01/11-06/30/12 for which AltaMed continued to provide services to all clients previously served under the program at no cost to the County incurring expenses of \$1,751,890 of which First Five LA was gracious enough to reimburse AltaMed \$845,000, leaving a loss of \$906,890 for the year. The County/DPSS then reinstated the program for the period 07/01/12-06/30/13 for which your office reviewed.

- 1) AltaMed leases the building where we provide CalLearn services for the County of Los Angeles where we received a retroactive rent increase and property tax bills from the landlord covering



the period 01/2003 – 06/2012 for which we were legally obligated to pay. Those expenses were appropriately applied per GAAP (Generally Accepted Accounting Principles) to the cost budget which benefited from the use of the land and building. We have not and will not be reimbursed from any other funding opportunities creating additional losses to the program of \$88,621.

We understand and accept the position taken by the Auditor-Controller and will work with DPSS to resolve repayment or reinvestment into the program funds totaling \$88,621.

- 2) AltaMed will continue to refine its expense allocation policy to ensure proper allocation of expenses to the cost center.

We accept the position taken by the Auditor-Controller and will work with DPSS to return or reinvest the funds totaling \$2,731.

- 3) AltaMed excluded the accruals from the expense report submitted to DPSS for final year end expense vs. revenue reconciliation. We were not able to find the supporting documentation for the office expense selected by the auditor.

We accept the position taken by the Auditor-Controller and will work with DPSS to return or reinvest the funds totaling \$10,038.

- 4) AltaMed will review its internal Policy and Procedures to ensure we maintain a complete and accurate listing of equipment (including computers) purchased with CalLearn funds.
- 5) AltaMed will resubmit the annual cost report which reconciles allowable costs vs. funds received for the period 07/01/12-06/30/13 from DPSS taking into consideration the Auditor-Controller's findings and will work with DPSS to return or reinvest any unspent revenues.

We would like to thank you and your team for your review of AltaMed's management of the CalLearn contract with DPSS for the period 07/01/12-06/30/13. We will implement appropriate changes to our management to insure compliance.

Best regards,

A handwritten signature in blue ink, appearing to read "Paul Tropea".

Paul Tropea
Senior Grant Billing Accountant